

CITY OF HENDERSON

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
AUGUST 1, 2014 THROUGH JULY 31, 2015

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City of Henderson

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Baumfalk	Mayor	January 2016
John Eledge	Mayor Pro-Tem	January 2018
Janelle Williams	Council Member	January 2016
Terry Byers	Council Member	January 2018
Flack Dignan	Council Member	January 2016
Wanda Williams	Council Member	January 2016
Candace Knop	City Clerk	Indefinite
Janelle Croghan	Treasurer	Indefinite
Tom Stamets	Attorney	Indefinite

MUXFELDT **ASSOCIATES, CPA, P.C.**

Certified Public Accountant

December 14, 2015

Lonnie G. Muxfeldt
Certified Public
Accountant

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

I have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa legislature to provide oversight of certain Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Henderson for the period August 1, 2014 through July 31, 2015. The City of Henderson's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

5. I reviewed City funds for consistency with the City's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
9. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
10. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
11. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. I reviewed the annual certified budget for proper authorization, certification and timely amendment.
13. I reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of the financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had I performed additional procedures, or had I performed an audit of the City of Henderson, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Henderson and other parties to whom the City of Henderson may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the Clerk and Mayor of the City of Henderson during the course of my agreed-upon procedures. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

DETAILED RECOMMENDATIONS

CITY OF HENDERSON

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Accounting System - performing all general accounting functions, including journal entries, and having custody of assets.

Recommendation - The Mayor should continue his practice of reviewing and initialing invoices before approval for payment thereby obtaining the maximum internal control possible under the circumstances.

- (B) Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. A resolution naming official depositories has been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa. However, the resolution did not specify amounts sufficient to cover anticipated balances at the approved depository.

Recommendation - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover the anticipated balance at the approved depository as required by Chapter 12C.2 of the Code of Iowa.

- (C) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation - The city should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

CITY OF HENDERSON

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

(D) City Council Minutes - The following items were identified:

1. The City Council went into closed session on December 10, 2014. The City Council minutes did not show a roll call to go into a closed session, the specific exemption was not identified or documented and final action was not taken in an open session as required by Chapter 21.5 of the Code of Iowa.
2. Although posted within 15 days of monthly meetings, City Council minutes are also required to include the following: a list of claims, summary of receipts, total disbursements by fund and annual gross salaries, if applicable, as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City Council should comply with Chapter 21 of the Code of Iowa. In addition, the City should ensure the list of claims, summary of receipts, total disbursements by fund and annual gross salaries are posted with the minutes as required.

(E) Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, *Public monies may not be expended or encumbered except under an annual or continuing appropriation.*

Recommendation - The disbursements should have been monitored and amended before disbursements were allowed to exceed the budget.

(F) Financial Reporting - The following items were identified in the Annual Financial Report (AFR):

1. Receipts and disbursements reported in the AFR did not agree with the Clerk's Monthly Financial Reports. Receipts and disbursements were overstated by \$40.
2. Beginning and ending fund balances in the AFR did not agree by fund with the Clerk's Monthly Financial Report, however, the total fund balances did agree.
3. Interfund transfers of \$3,000 from Enterprise Funds to the Debt Service Fund were inaccurately reported as charges for services in the AFR.

Recommendation -The City should ensure all receipts, disbursements, transfers and fund balances are reported correctly in the AFR by reconciling all totals to the Clerk's Monthly Financial Reports. An independent person should review the report for accuracy.

CITY OF HENDERSON

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

- (G) Payroll - It was noted in the July 2015 minutes that City Council approved a \$100/month wage increase for a city employee and the actual approved salary was not documented in the City Council minutes.

Recommendation - Salaries of employees and the effective dates for salary increases should be adequately documented in the City Council minutes

CITY OF HENDERSON

HENDERSON, IA 51541

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an agreed-upon procedures report on the City of Henderson, Iowa for the period August 1, 2014 through July 31, 2015. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Muxfeldt Associates, CPA, P.C. recommended the City establish segregation of duties over cash, receipts, disbursements, payroll, utilities and financial reporting, that the City post employees and officials annual gross salaries, that the City comply with provisions of Chapter 372.13(6) relating to minutes publication requirements, that the City comply with Chapter 21.5 relating to closed sessions, that the City comply with Chapter 12B.10B concerning adopting a written investment policy, that the City comply with Chapter 12C.2 stating amounts sufficient in the depository resolution, that the City comply with Chapter 554D.114 concerning electronic check retention, that receipts, disbursements, transfers and individual fund balances reported in the Annual Financial Report agree with the Clerk's Monthly Financial Reports, that the City comply with Chapter 384.20 regarding budget amendments.

A copy of the examination report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.